I. Overview

Today the American economy is the strongest in the world. From the farms of the Midwest to the high-tech firms of California and Massachusetts, businesses are growing, real wages are once again rising, inflation is under control, and we have the highest home ownership in history. Over the past five years, the United States has created over 14 million new jobs, accounting for over 95% of all jobs created among the G-7 nations. This, in turn, has led our unemployment rate to its lowest level in a generation. The United States has once again become the world's number one exporter, the world's largest manufacturer of automobiles, the world's premier agricultural exporter, and the world's leading producer of semiconductors. Truly, the American economy has become the envy of countries around the globe.

While this stunning success is attributable to many factors, trade is among the most important. International trade is an increasingly vital component of our economic strength at home and our leadership abroad. Exports are more important in our economy than ever. Since 1993, more than a third of our economic growth has come directly from exports, and the number of export-related jobs has increased by an estimated 2.2 million. A total of some 12.1 million U.S. jobs depend on exports, and U.S. jobs supported by goods exports pay an average of 13% - 16% more than the overall U.S. average.

The ability of our firms and workers to earn their own way in the global marketplace is the direct result of the liberalizing, market-opening trade policies pursued by every President since Franklin Roosevelt. For over five decades, the United States has been the catalyst behind the steady march towards a free global market. American efforts have resulted in an international environment increasingly characterized by more open markets, more efficient investments and, in the long run, more sustainable growth both here and abroad.

Continuing this push for more open markets, during the past five years this Administration has negotiated more than 240 trade agreements and trade-related declarations, including the WTO agreements and NAFTA, that expand opportunities for U.S. companies and workers. In the last year alone, we have completed three major global trade agreements: the Information Technology Agreement (ITA), the Agreement on Basic Telecommunications Services, and the Agreement on Financial Services. These three agreements are in areas where the U.S. is highly competitive and which provide the infrastructure for the 21st century economy. The ITA covers $500 billion in global trade and more than $100 billion in U.S. exports. The Telecom agreement will create more than a million U.S. jobs in the next ten years. We estimate that the $650 billion global telecommunications market today could double or triple in the next ten years under this agreement. Finally, the Financial Services accord will help our companies compete in foreign markets and maintain the United States as the locus of activity for international banking, insurance, and securities brokerage services.

We have not only been negotiating agreements, but monitoring and enforcing them as well. During the last two years, USTR has monitored implementation of the Uruguay Round agreements, NAFTA and other multilateral and bilateral trade agreements, using dispute settlement procedures aggressively to compel compliance. The United States has invoked formal procedures under the new WTO dispute settlement mechanism in 35 cases to date--more than any other country in the world. Of these, the United States has prevailed on 17 of the 18 complaints that the WTO has acted on or that have been settled on terms favorable to the United States. We also have worked with other agencies in ensuring the most effective use of U.S. trade laws to complement our litigation strategy and address problems that are outside the scope of formal dispute resolution under the WTO and NAFTA.

The United States can and should take great pride in these negotiating and enforcement successes. Despite these accomplishments, however, there is much work that still can and needs to be accomplished. Asia is an excellent illustration. Because of the severe exchange rate depreciations and recessionary conditions that have accompanied the loss of investor confidence in a number of formerly rapidly growing Asian nations, the U.S. trade imbalance with Asia is expected to increase considerably in 1998. Multilateral and bilateral lending of foreign exchange to the Asian governments affected is vital to restoring investor confidence and stabilizing their economies. Such temporary assistance, in turn, is also likely to lessen the resulting increase in the U.S. trade deficit and to keep the Asian crisis from dramatically affecting our own economic growth.

Just as important as stabilizing the current Asian crisis, however, is preventing its reoccurrence by encouraging more open markets throughout the region. It is quite essential, and a challenge of Administration trade policy, to communicate effectively to the affected countries of Asia how much their future economic prosperity, as well as ours to some extent, depends on structural economic reforms, market-oriented economic policies and rapid trade growth.

At the same time, we need to ensure that we are strategically positioned and prepared to play a catalytic role for trade liberalization in all key regions of the world. To this end, the Clinton Administration will continue to use a combination of bilateral, regional, and multilateral initiatives to open new markets to American exports throughout the world.

As described in Chapter II, the Administration has laid out an ambitious trade agenda for the next year in which we will continue to push for open foreign markets and fair competition for American firms and workers, and to enforce rigorously the agreements that we have negotiated. This agenda is designed to be global in coverage, but with specific attention given to various regions of the world. In particular, attention will be given not only to the agenda of the World Trade Organization, but to several regions, including Asia-Pacific, the Western Hemisphere, Western Europe and, as our newest initiative, sub-Saharan Africa. Finally, we will continue to seek increased trade and investment liberalization in key bilateral markets, including Japan and China.

More comprehensive, and even faster, progress on these fronts will be obtainable as soon as an agreement is reached with the Congress concerning procedures for approval and implementation of trade agreements. Because international trade is an increasingly important component of our economic strength at home and leadership abroad, it is vital to the long-term prosperity and influence of the United States that this Administration be able to take full advantage of our strong global position and continue to push our trading partners for even more open markets and economic liberalization.

The dangers of not continuing on such a strong path, of course, have become all too clear. Should we choose to abdicate our position of strength, we not only risk missing a prime opportunity to advance those policies and values that have been so instrumental in making our economy the strongest and most efficient in the world. We also allow others to seize the initiative from us and gain preferential treatment for their firms and workers. Already, in markets around the world, but particularly in Latin America, governments are pursuing strategic trade policies and, in some cases, preferential trade arrangements to the potential detriment of U.S. prosperity and leadership. In light of this sobering alternative, we must utilize the full range of our tools of leverage and persuasion as the most important player in the global economy to engage our trade partners and pursue our national interests.

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United States Trade Representative
February 28, 1998